



Depositary Receipts
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Rhonda Lee Vice President

December 26, 2003

Securities & Exchange Commission
Division of International Corporate Finance

Room 36 (3-63) 450 Fifth Street, NW

Washington, DC 20549

Re: Exemption No. 82-3296

PROCESSED

JAN 21 2004

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To Whom It May Concern,

We have been directed by China Steel Corporation (the "Company") to arrange the mailing of all documents that are published in Taiwan, the Republic of China, and remit the attached material to you, pursuant to the Company's exemption from registration under the Securities Act of 1934 (the "Exchange Act"). This mailing service is not a legal service from Citibank N.A.

Attachment:

- The important resolutions made by the 12th conference of the 11th boards of directors of the Company
- The important resolutions made by the 11th conference of the 11th boards of directors of the Company
- Updated Forecasted Financial Statements for the Year Ending December 31, 2003

Sincerely,

Rhonda C. Lee

Vice President, Account Management Citigroup[®] Global Transaction Services Citibank[®] Depositary Receipt Services Dr 1/6

China Steel Corporation Announcement

The important resolutions made by the 11th conference of the 11th boards of directors of the Company

Aug 27, 2003

Subject:

- W 23

The board of directors has approved the participation by China Steel Corporation in a global offering whereby the Ministry of Economic Affairs of Republic of China, a shareholder of the Company, shall sell depositary receipts representing certain of the common shares of the Company held by it.

Statement:

- 1. The MOEA intends to sell, pursuant to the "Measures on the Offering of DRs Representing Common Stock" of the Company, DRs representing up to 1,203,197,000 shares of Common Stock held by it in the Offering. The actual number of DRs to be sold in the Offering shall be set forth in the DR purchase agreement and the DR depositary agreement to be entered into in connection with the Offering.
- 2. The Company proposes that the Board authorizes the Chairman or any person designated by the Chairman to make any amendment to the actual plan, terms and condition, and other relevant details of the Offering that such person may deem necessary in accordance with the instructions of the regulatory body or in view of then current market conditions.
- 3. The Company proposes that the Board authorizes the Chairman or any person designated by the Chairman to negotiate, approve and execute, on behalf of the Company, all agreements and documents and to deal with all necessary matters relating to the Company's participation in the Offering.
- 4. It is contemplated that all expenses incurred in and resulted from the Company's participation in the Offering (including but not limited to fees

and charges incurred by underwriters, legal advisors, accountants and financial advisors and any other relevant expenses) will be borne by the MOEA.

Subject:

The board of directors has approved the financial statements for six months ended June 30, 2003.

Statements:

Revenue: NT\$ 62,541,406,000

Net income after tax: NT\$ 18,210,852,000

EPS after tax: 1.98

China Steel Corporation

Y.C. Chen

Executive Vice President

China Steel Corporation Announcement

The important resolutions made by the 12th conference of the 11th boards of directors of the Company

Dec 19 2003

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Subject:

The board of directors has approved the Company's financial forecast for year 2004

Contents:

Balance Sheet:

(in thousands of NT\$)

| current assets | 58,038,053 |
|-------------------------|-------------|
| long-term investments | 42,865,168 |
| fixed assets (net) | 105,674,237 |
| other assets | 3,954,156 |
| Assets | 210,531,614 |
| current liabilities | 24,620,733 |
| long-term liabilities | 12,183,000 |
| other liabilities | 9,067,096 |
| Liabilities | 45,870,829 |
| capital stock | 98,828,127 |
| capital surplus | 865,806 |
| retained earnings | 66,685,404 |
| unrealized valuation | |
| losses on long-term | |
| equity investment | -525,595 |
| cumulative translation | |
| adjustments | 94,416 |
| net loss not recognized | |
| as pension cost | -15,647 |
| treasury stock | -1,271,726 |
| Stockholders' equity | 164,660,785 |

Income Statement:

it is it

| (in thousands of NT\$, except per | share amounts) |
|-----------------------------------|----------------|
| revenues | 128,871,529 |
| costs of revenues | 84,855,263 |
| gross profit | 44,016,266 |
| operating expenses | 5,180,313 |
| operating income | 38,835,953 |
| non-operating income | 4,835,525 |
| non-operating expenses | 1,646,478 |
| income before income tax | 42,025,000 |
| income tax | 9,147,437 |
| net income | 32,877,563 |
| earnings per share | 3.37 |

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Subject:

The board of directors has approved to invest in preferred shares of TaiGen Biotechnology Corporation.

Contents:

The board of directors has approved to invest in preferred shares of TaiGen Biotechnology Corporation. The investment period is 6 years, and its annual dividend rate is 8% based on par value. Total transaction price is up to NT\$300,000,000 for total units 20,000,000 and per unit price NT\$15.0.

China Steel Corporation

Y.C. Chen

Executive Vice President

勤業眾信 Deloitte & Touche

China Steel Corporation

Updated Forecasted Financial Statements for the Year Ending December 31, 2003

English Translation of Financial Statements Originally Issued in Chinese

CHINA STEEL CORPORATION

UPDATED FORECASTED BALANCE SHEET (WITH COMPARATIVE HISTORICAL DATA) (In Thousand of New Taiwan Bollars, Except Par Value)

| | Dece | Forecast December 31, 2003 | 2003 | 11 | | Ţ, | al Data | ļ | | Dec | Forecast December 31, 2003 | 1,2003 | 11 |
|--|-------------------------|-------------------------------|-------------------------|----------|----------------------|------------|----------------------------|-------------------|---|-----------------------|-------------------------------|--------------------------------|------------------|
| ASSETS | Amount | % | Amount | * | Amount % | | Amount % | 787 787 | LIABILITIES AND STOCKHOLDERS' EQUITY | Amount | * | Amount | 14 |
| CURRENT ASSETS Cash and cash equivalents Short-term investments | 30,000,000 | 2 2 5 | 17,110,406 | æ ~ | 3,068,966 | - 2 | \$ 4,302,175 12,206,524 | 6 2 | CURRENT LIABILITIES Shon-tern bank loans and overdraft Commercial paper payable | \$ 585,000 998,201 | ٠, | \$ 585,000 | ٠ _ |
| Notes receivable Accounts preservable | 647,109 | | 430,050 | | 378,442 | | 141.794 | | Accounts payable | 2,500,000 | | 2,500,000 | · - , |
| Other financial assets – current | 383,168 | - • • | 383,168 | | 114,039 | | 202,606 | - • • | Other payables | 4,560,000 | ~ ~ | 4,560,000 | n 19 |
| Inventories Pledged time deposits | 16,250,000 6,900,000 | 00 m | 16,250,000 6,700,000 | 30 M | 15,468,476 6,900,000 | ec 3 | 18,371,621 8,200,000 | o 4 | Bonds payable – current portion Long-term debts-current portion | 10,000,000 | 'n, | 10,000,000 50,000 | ۰ ۲ |
| Other | 616.832 | ۱ ۱ | 963.187 | 7 | 258.069 | | 1.035.803 | ٦ | Other | 2.065.000 | , 7 | 2.065,000 | , T |
| Total current assets | 59.148.270 | 78 | 85.127.929 | 87 | 47.581.405 | 24 | 46,279,467 | _23 | Total current liabilities | 27.401,745 | 7 | 27.742,896 | = |
| LONG-TERM INVESTMENTS Long-term investment under equity method | 36,657,412 | 71 | 34,938,542 | = . | 31,473,197 | 91 | 30,562,653 | 15 | LONG-TERM LIABILITIES Bonds A-t-1 | 15,000,000 | ~ | 20.000,000 | 2 |
| Prepayments for investments Other | 178,794 | , • • • | 178.794 | ۱ د | 120,831 | ٠.٠١ | 120,000 | ۱ ۱ | Decos Total long-term liabilities | 15,000,000 | ' 7 | 20.294.260 | ' s |
| Total long-term investments | 44,822,464 | _ 17 | 42,003,594 | ≈ | 35.532,286 | 8 4 | 35,026,411 | 8 1 | RESERVE FOR LAND VALUE INCREMENT TAX | 3,370,813 | 7 | 3370.813 | 7 |
| PROPERTIES Land | 7 146 632 | ~ | 7 065 078 | | 7 146 632 | 4 | 6 764 647 | 4 | OTHER LIABILITIES Defered income for liability announted | 1947 741 | | 710848017 | , |
| Land improvements Ruidinus and improvements | 4.316.764 | . ~ <u>-</u> | 4,532,454 | . ~ [| 4,316,764 | . 2 3 | 4,316,764 | . 7 3 | Deferred credit - intercompany profit | 1,405,040 | · † | 1.405,040 | ٠ 'ا |
| Machinery and equipment Transnortation comment | | 102 | 218,274,028 | <u> </u> | 207,628,941 | 99 - | 207,043,084 | : ₁₅ - | Total other liabilities | 5,352,283 | ٦ | 5,460,962 | 7 |
| Miscellaneous equipment | 2.939.728 | - ~9 | 2,961,209 | ۳- | 2.826.054 | - 74 | 2,651,344 | - 7 | Total liabilities | 51,124,841 | 74 | 56.868,931 | 77 |
| Total cost | 267,983,376 | 127 | 270,816,872 | 129 | 259,329,590 | 133 | 258,034,854 | 130 | STOCKHOLDERS' EQUITY Facilal stock—authorized 10 600 000 thousand | | | | |
| Appreciation | 18,376,007 | | 18,358,855 | ٥ | 18,403,007 | 5 | 18,405,855 | 5 | Shares of \$10 par value Common issued 0 442 334 0 352 003 and | 0.1 573 737 | Ř | 04 073 5 60 | ¥ |
| Total cost and appreciation | 286,359,383 | 136 | 727,271,682 | 138 | 177,732,597 | 142 | 276,440,709 | 139 | 9,061,168 thousand shares as of December 31, 2003, 2007 and 2001, removingly | | 2 | 01000000 | ř |
| Less: Accumulated depreciation | 187.501.748 | 8 | 188,480,279 | æ | 177,076,769 | श्च | 167,376,583 | 26 2 | Preferred 14% cumulative and participating | | | | |
| Constructions in progress | 3,992,668 | ا : | 3,140,483 | ? ~ | 6.815.268 | 3 6 | 3,183,839 | ٦, | shares as of December 31, 2003, 2002 and | 50 25 | | 100 | |
| Net properties | 102,850,303 | 49 | 103,835,931 | প্র | 107.471.096 | 55 | 112,247,965 | 36 | יייייייייייייייייייייייייייייייייייייי | | ' | 700,114 | 1 : |
| OTHER ASSETS | | | | , | | , | | • | i otal capital stock | | · 왕 | 027.134.20 | ş |
| Leasen issess Refundable deposits | 84,434 | 7 | 3,989,900 84,434 | , , | 3,888,461 84,434 | 7 ' | 20,772 | 7 . | Capital surplus Retained earnings | 586.047 | `ান | 58.820.460 | 187 |
| Restricted assets-pledged time deposits Other-mainly unamortized repair expense | 31,396 | | 31,396 | | 31,396 | ٠ ٦ | 31,396 | | Other stockholders' equity Unrealized loss on investees' long-term | | | | |
| Total other assets | 4,404,625 | 79 | 4,673,791 | ٦ | 4.857.546 | ٦ | 5,383,157 | " | investments Cumulative translation adjustments Investees' unrecognized net loss on pension cost | 94,416 | J. | 530,527) 201,202 15,508) | J. |
| | | | | | | | | | Treasury stock | (1222.42) | <u>.</u> | L354698) (| 11 |
| | | | | | | | | | Total stockholders' equity | 160,100,821 | 136 | 152,971,714 | 73 |
| TOTAL ASSETS | \$211,225,662 | 3 | \$202,840,645 | 3 | \$195,442,333 | 80 | \$ 198,937,000 | 100 | TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 5211,225,662 | 3 707 | \$500.8.10.645 | 20 |

7

25.601.247

7

27.026,296

4,310,176 5,850,000 2,290,269 1,912,819

\$ 809,688 998,347 2,454,461 3,730,522 5,106,533 9,200,000 2,985,045

\$ 5,947,913 2.843,252 2,441,818

December 31, 2002, December 31, 2001.
Amount % Amount %

7 2

34,200,000

z '| =

25,000,000

37,655,293 3,370,813

25,050,000 3,370,813 4,256,172

3,584,788

5,661,212 72,288,565

7 ₹

4.989,828 60 436,937 90,611,684

\$

92,679,939

The accompanying summaries of significant accounting policies and basic assumptions on updated forecasted financial sunements are an integral part of this statement.

(530,527) - (555,491) - (569,837) - (201,202 - 222,391 - (15,598) - (15,

휙 []

477,680 91.089.364

1 斧 73

477,670 93,157,609 416,570

44,960,063

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126,648,435

3

135,005,396

100 \$ 198,937,000 100

\$209,840,645 100 \$195,442,333

CHINA STEEL CORPORATION

UPDATED FORECASTED STATEMENT OF INCOME (WITH COMPARATIVE HISTORICAL DATA) (In Thousand of New Taiwan Dollars, Except Earnings Per Share)

| | Į. | Forecasi | 2003 | | , | Historic | al Data | |
|--|--------------------------------|------------|-------------------------|------------|----------------------|-----------|----------------------|----------|
| | Updated | | Original | | 2002 | | 2001 | |
| | _Amount_ | <u>%</u> | Amount | <u>%</u> | Amount | % | Amount | <u>%</u> |
| REVENUES | \$ 128,562,818 | 100 | \$113,365,588 | 100 | \$ 99,939,846 | ·100 | \$ 85,101,266 | 100 |
| COST OF REVENUES | <u>82,627,853</u> | <u>_64</u> | 73,000,152 | _64 | 75,111,810 | _75 | 73,223,833 | _86 |
| GROSS PROFIT | 45,934,965 | _36 | 40,365,436 | <u>_36</u> | 24,828,036 | _25 | 11,877,433 | 14 |
| OPERATING EXPENSES | | | | | | | | |
| Selling | 2,065,042 | 2 | 1,814,876 | 2 | 1,815,948 | 2 | 1,602,713 | 2 |
| General and administrative | 2,175,800 | 2 | 2,110,432 | 2 | 1,818,975 | 2 | 2,030,550 | 2 |
| Research and development | 907,158 | | 906,741 | | <u>819,497</u> | _=: | <u>850,640</u> | _1 |
| Total operating expenses | 5,148,000 | 4 | 4,832,049 | 5 | 4,454,420 | 4 | 4,483,903 | 5 |
| INCOME FROM OPERATIONS | 40,786,965 | _32 | 35,533,387 | _31 | 20,373,616 | _21 | 7,393,530 | 9 |
| NON-OPERATING INCOME | | | | | | | | |
| Interest | 119,471 | - | 193,769 | • | 238,543 | - | 660,107 | 1 |
| Investment income under equity method | 5,318,305 | 4 | 2,532,000 | 3 | 2,566,906 | 2 | 4 003 740 | - |
| Other investment income Other | 328,691 430,768 | - , | 201,000 364,158 | • | 683,378 | , | 4,093,740 969,223 | 5 1 |
| | | | | | | | | |
| Total non-operating income | 6,197,235 | 5 | 3.290.927 | _3 | 3,488,827 | 3 | 5,723,070 | 7 |
| NON-OPERATING EXPENSES | | | | | | | | _ |
| Interest | 1,387,153 | 1 | 1,691,243 | 1 | 2,212,246 | 2 | 2,732,813 | 3 |
| Investment loss under equity method | - | - | • | • | 220 524 | • | 1,623,266 | 2 |
| Other investment loss Other | 597,047 | 1 | 593,071 | 1 | 329,534 624,849 | 7 | 353,722 | _1 |
| Oulei | | | | | | | | |
| Total non-operating expenses | 1,984,200 | 2 | 2,284,314 | _2 | 3,166,629 | 3 | 4,709,801 | 6 |
| INCOME BEFORE INCOME TAX | 45,000,000 | 35 | 36,540,000 | 32 | 20,695,814 | 21 | 8,406,799 | 10 |
| INCOME TAX | <u>8,731,089</u> | 7 | 7,364,000 | 6 | 3,856,734 | 4 | 947,049 | _1 |
| NET INCOME | \$_36.268.911 | _28 | <u>\$ 29,176,000</u> | _26 | <u>\$ 16,839,080</u> | <u>17</u> | <u>\$ 7.459.750</u> | _9 |
| BASIC EARNINGS PER SHARE | | | | | | | *** | |
| Before tax | <u>\$4.80</u> | | <u>\$3.88</u> | | <u>\$2.24</u> | | <u>\$0.88</u> | |
| After tax | <u>\$3.87</u> | | <u>\$3.10</u> | | <u>\$1.82</u> | | <u>\$0.78</u> | |
| DILUTED EARNINGS PER SHARE | | | | | | | | |
| Before tax | <u>\$4.79</u> | | <u>\$3.87</u> | | <u>\$2,24</u> | | <u>\$0.88</u> | |
| After tax | \$3,86 | | \$3.09 | | \$1.82 | | \$0.78 | |
| PRO FORMA INFORMATION AS IF THE CORPORATION'S SHARES HELD BY SUBSIDIARIES WERE ACCOUNTED FOR AS INVESTMENTS BUT NOT TREASURY STOCKS: | · | | | | | | | |
| Net income | \$ 36.427.077 | | \$ 29,176,000 | | <u>\$ 16,983,408</u> | | | |
| Basic earning per share | 64.77 | | en 04 | | מין מין | | | |
| Before tax After tax | <u>\$4.77</u> \$3.85 | | <u>\$3.84</u> \$3.07 | | \$2.23 \$1.82 | | | |
| After tax Diluted earnings per share | <u> </u> | | <u>10.54</u> | | <u> 21.04</u> | | | |
| Before tax | \$4.76 | | <u>\$3.83</u> | | \$2.23 | | | |
| After tax | <u>\$4.76</u> <u>\$3.84</u> | | \$3.06 | | \$2.23 \$1.82 | | | |
| | | | | | | | | |

The accompanying summaries of significant accounting policies and basic assumptions on updated forecasted financial statements are an integral part of this statement.

nglish Translation of Financial Statements Originally Issued in Chinese

HINA STEEL CORPORATION

PDATED FORECASTED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY NITH COMPARATIVE HISTORICAL DATA) in Thousand New Taiwan Dollars) Capital Stock
Preferred Common \$ 477,770 477,680 <u></u> Compensation payable to directors and supervisors transfer to capital surplus Adjustments of equity in investees due to change in percentage of ownership Translation adjustments of investees' long-term investments Unrealized loss on investees' long-term investments Cash dividends to preferred stockholders-15% Stock dividends to preferred stockholders—3% Stock dividends to common stockholders—3% Cash dividends to common stockholders-15% conversion of preferred stock to common stock Appropriation of 2000 earnings Investees' unrecognized net loss on pension cost Conversion of preferred stock to common stock Compensation to directors and supervisors BALANCES, DECEMBER 31, 2001 3ALANCE, JANUARY 1, 2001 Purchases of treasury stock Bonus to employees Net income for 2001 Special reserve Legal reserve listorical data

48,913) 71,652) 13,122,557)

71,652) 14,330)

48,913) 71,652) 13,122,557)

13,122,557

14,330)

2,624,512

2,624,512]

7,459,750

7,459,750

6,317 1,248

14,330

489,126

489,126)

1,858,154 96,001

100'96

1,858,154

489,126

\$ 134,654,480

Treasury Stockholders' Equity Total

Stock

Investments Adjustments Pension Cost

Total

reserve Unappropriated

Retained Earnings

Special

Legal reserve

surplus Capital

\$ 53,726

\$46,380,081 (\$149,728)

\$19,087,182

\$ 9,815,701

\$17,477,198

\$409,005

\$ 87,483,626

Translation

Cumulative Unrecognized

Loss on Investees' Long-term

Inrealized

Net Loss on

1,905,059)

) (650,506,1)

6,317

33,469) 420,109) 145,155 15.508) 1,356,485)

(1,356,485) (

126,648,435

(1,905,059)

(15,508) (15.508)

188'861

(569,837)

37,434,024

8,186,970

9,911,702

19,335,352

416,570

90,611,684

145,155

(420,109)

34,717)

34,717)

Fransfer of capital surplus from gain on disposal of properties to unappropriated earnings Shares held by subsidiaries accounted for as treasury stocks Transfer of special reserves to unappropriated earnings Appropriation of 2001 earnings

Cash dividends to preferred stockholders-12% Stock dividends to preferred stockholders-2% Cash dividends to common stockholders-8% Compensation to directors and supervisors Bonus to employees Special reserve Legal reserve

Adjustments of equity in investees due to change in percentage of ownership Stock dividends to common stockholders-2% Net income for 2002

Reversal of unrealized loss on investees' long-term investments Translation adjustment of long-term investments Investees' unrecognized net loss on pension cost

Disposal of the Corporation's shares held by subsidiaries BALANCE, DECEMBER 31, 2002

Cash dividends declared by the Corporation and received by subsidiaries

(Continued)

\$ 135,005,396

(\$3,245,077)

(\$15,696)

\$222,391

(\$555,491)

\$ 44,960,063

\$ 16,874,520

\$ 8,002,165

\$ 20,083,378

\$ 92,679,939

\$ 477.670

76,610 \$481,597

6,004

2,927

1,782,234

46,707) 14,346 23,510 188) 20,698

23.510

14,346

9,553)

9,553)

7,128,935]

1,782,234)

7,128,935

276,458)

745,975 }

290,463

276,458

2,200,000

2,200,000)

2,051 745,975

20,514)

1,782,234)

16,839,080

16,839,080

76.610

14,694

27,646) 57,322) 7,128,935)

English Translation of Financial Statements Originally Issued in Chinese

| | | | | | | | | Unrealized | | | | |
|---|------------------|--------------------------|---------------|--------------|--------------|-------------------|----------------|---------------------------|-------------------------|--------------------|----------------|------------------------------|
| | | | | | | | | Loss on | | Investees' | | |
| | | | | | Retained | Retained Earnings | | Investees | Cumulative | Unrecognized | | Total |
| | Capital Stock | Stock | Capital | Legal | Special | | | Long-term | Translation | Net Loss on | Treasury | Stockholders, |
| | Preferred Common | Соммол | surblus | reserve | resorve | Unappropriated | Total | Investments | investments Adjustments | Pension Cost | Stock | Equity |
| Updated forecast | | | | | | | | | | | | |
| Transfer of treasury stock to employees | • | , | . (\$ 82,614) | • | • | (\$ 14,863) (\$ | (\$ 14,863) \$ | , | • | · 69 | \$1,904,543 \$ | \$ 1,807,066 |
| Conversion of preferred stock to common stock | (00) | 20 | 1 | ١. | • | • | | 1 | • | | • | 1 |
| Appropriation of 2002 earnings | | | | | | | | | | | | |
| Legal reserve | 1 | • | • | 1,683,903 | • | (83,908) | • | • | 1 | | • | • |
| Bonus to employees | • | 445,890 | , | , | • | (445,890) | (445,890) | | • | • | • | • |
| Compensation to directors and supervisors | 1 | , | • | ı | • | (44,589) | (44,589) | • | 1 | • | • | 44,589) |
| Cash dividends to preferred stockholders—14% | • | • | • | , | • | (66,867) | (66,867) | • | ٠ | • | • | (298'99) |
| Cash dividends to common stockholders—14% | , | • | ٠ | • | • | (12,975,148) | (12,975,148) | • | • | ٠ | • | 12,975,148) |
| Stock dividends to preferred stockholders-1.5% | • | 7,164 | • | • | • | 7,164) | 7,164) | • | • | ٠ | , | |
| Stock dividends to common stockholders—1.5% | 1 | 1,390,194 | • | | • | (1,390,194) | (1,390,194) | • | ٠ | | • | , |
| Disposal of the Corporation's shares held by subsidiaries | • | • | 57,124 | • | • | • | • | • | • | | 68,339 | 125,463 |
| Net income for 2003 | • | * | 1 | • | , | 36,268,911 | 36,268,911 | • | | | , | 36,268,911 |
| Cash dividends declared by the Corporation and received by subsidiaries | | , | 128,858 | • | • | • | • | • | • | | • | 128,858 |
| Reversal of investees' unrecognized net loss on pension cost | • | , | • | • | • | • | • | • | • | 49 | • | 49 |
| Reversal of unrealized loss on investees' long-term investments | • | , | • | • | • | • | • | 29,896 | • | | • | 29,896 |
| Translation adjustments of long-term investments | • | , | • | • | • | • | • | 1 | (127,975) | • | • | 127,975) |
| Adjustment of long-term equity investments | 1 | | 1,082 | | | (51.274) | (| 1 | 1 | ' | (75) | 50,239) |
| BALANCE, DECEMBER 31, 2003 | \$ 477,620 | \$ 477,620 \$ 94,523,233 | \$586,047 | \$21,767,286 | \$ 8,002,165 | \$36,463,534 | \$ 66,232,985 | (\$65,232,985 (\$525,595) | \$ 94.416 | (\$15,647) | (\$1,272,242) | (\$1,272,242) \$_160,100,821 |
| | | | | | | | | | | | | |

The accompanying summary of significant accounting policies and basic assumptions on updated forecasted financial statements are an integral part of this statement.

CHINA STEEL CORPORATION

(Care)

3.55.55

UPDATED FORECASTED STATEMENT OF CASH FLOWS (WITH COMPARATIVE HISTORICAL DATA)

(In Thousand New Taiwan Dollars)

| | _ | Forecas | st- | -2003 | | Historic | al I | |
|---|------|---------------------|-----|---------------|----|-------------|------|-------------|
| | _ | Updated | _ | Original | | 2002 | | 2001 |
| · | | | | | | | | • |
| CASH FLOWS FROM OPERATING ACTIVITIES | _ | | _ | | | | | |
| Net income | | 36,268,911 | \$ | 29,176,000 | \$ | 16,839,080 | | 7,459,750 |
| Depreciation | | 11,036,313 | | 10,601,546 | | 11,335,753 | | 11,954,277 |
| Amortization | | 322,375 | | 322,018 | | 401,733 | | 648,429 |
| Deferred income tax | | 362,455 | | 512,750 | | 354,706 | (| 107,786) |
| Provision for (reversal of) allowance for bad debts | | - . | | • | | 1,260 | (| 615) |
| Provision for (reversal of) allowance for loss on | | | | | | | | |
| inventories | | - | | - | | 33,836 | (| 241,685) |
| Investment loss (income) under equity method | (| 5,318,305) | (| 2,532,000) (| | 2,566,906) | | 1,623,266 |
| Investment loss under cost method | | - | | • | | 597,214 | | - |
| Loss on disposal of properties | | 30,331 | | 42,388 | | 64,678 | | 43,865 |
| Cash dividends on long-term investments under | | | | | | | | |
| equity method | | 1,638,771 | | 1,500,000 | | 1,343,998 | | 148,894 |
| Gain on disposal of investments | (| 328,691) | (| 201,000) (| | 239,669) | (| 4,081,649) |
| Exchange loss (gain) and amortization on forward | | | | | | | | |
| exchange contract | | - | | . | | 5,073 | (| 33,141) |
| Changes in operating assets and liabilities | | | | | | | | |
| Notes receivable | (| 268,667) | (| 79,850) (| • | 233,648) | | 182,633 |
| Accounts receivable | ì | 807,923) | - | 260,300) | | 172,607 | | 87,424) |
| Other financial assets - current | ì | 269,129) | | 269,129) | | 88,567 | • | 20,391 |
| Inventories | ì | 781,524) | ` | 1,000,000 | | 2,869,309 | | 934,393 |
| Other current assets | ì | 358,763) | (| 27,872) (| | 256,507) | (| 847,969) |
| Accounts payable | ` | 45,539 | | 490,250) | | 650,182 | ` | 19,680 |
| Income tax payable | | 2,913,022 | ` | 4,477,411 | | 3,730,522 | (| 3,339,555) |
| Other payables | (| 546,533) | (| 330,000) | | 777,243 | ì | 1,250,553) |
| Other current liabilities | ` | 323,300 | ` | • (| | 176,119) | ` | 234,912 |
| • | _ | | - | | | / | _ | |
| Net cash provided by operating activities | _ | 44,261,482 | _ | 43,441,712 | | 35,792,912 | _ | 13,280,113 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Increase in short-term investments | (| 9,923,893) | (| 3,460,868) (| | 7,305,143) | (| 917,378) |
| Increase in long-term investments | ì | 5,510,313) | | 5,315,963) (| | 1,148,397) | | 2,617,955) |
| Proceeds from disposal of long-term investments | , | 9,641 | • | 2,212,203) (| | 1,140,0077 | ` | 2,017,7007 |
| Acquisition of properties | (| 6,315,305) | (| 6,086,425) (| | 6,534,741) | 1 | 5,738,543) |
| Decrease (increase) in other assets | (| 0,313,303) | 7 | 204,649) | | 35,057 | 7 | 1,622,360) |
| Decrease (increase) in pledged time deposits | | - | (| 1,500,000 | | 1,300,000 | ì | 600,000) |
| Decrease (increase) in preaged time deposits | _ | | - | 1,500,000 | _ | 1,300,000 | · | 000,000) |
| Net cash used in investing activities | · (_ | <u>21,739,870</u>) | (_ | 13,567,905) (| | 13,653,224) | (_ | 11,496,236) |
| CASH ELOWS EDOM EDIANCING ACTIVITIES | | | | | | | | • |
| CASH FLOWS FROM FINANCING ACTIVITIES | , | 12 042 015) | , | 10 100 446) | | 7 166 275) | , | 12 100 002) |
| Cash dividends | | | | 12,107,446) (| | 7,166,275) | - | 13,180,003) |
| Increase (decrease) in commercial paper payable | (| 146) | (| 562,081) (| | 1,844,905) | | 1,750,333 |
| Increase (decrease) in short-term bank loans | , | 004 (00) | , | 1.015.000 | | * 100 | | 2.014.000 |
| payable and overdraft | (| 224,688) | | | | 5,138,225) | | 3,014,880 |
| Decrease in long-term debts | (| 2,985,045) | (| 2,979,100) (| | 2,710,517) | | 2,546,834) |
| Purchase of treasury stock | | - | | - | | | (| 1,905,059) |
| Decrease in payable on properties purchased | _ | | _ | - (| | 637,539) | | 4,202) |
| Increase (decrease) in bonds payable | (| 9,200,000) | (| 4,200,000) (| | 5,850,000) | | 238,000 |
| | | | | | | | | (Continued) |
| • | | | | | | | | (Continued) |

CHECK STEEL CORPORATION

| | , <u>, -</u> | | st-2003 | | cal Data |
|---|---|--------------------------|-----------------------------|--|---------------------------------|
| | _ | | | 2602 | |
| | | | | - 256614 (1996) 68 }o(\$n ₆₅₆ 276646) | |
| Net increase in cash resulting from purchase of | n isas meisa Alfan Kib | | town of the solution of | ACM HAERA (ACH (BMTYE) ceather a new exert a most come | in the same in the contraction. |
| forward exchange contract | | - | | 2,210 | 38,478 |
| Transfer of treasury stocks to employees | | 1,807,066 | 1,807,500 | <u> </u> | _ |
| | | | | - | |
| Net cash used in financing activities | (_ | 23,689,417) | (_19,999,173 |) (23,372,897) | (<u>12,643,320</u>) |
| THE DIODEACE DECREASED IN CASH AND | | | | racional in regional. La actività di Programma | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 100 | 1,167,805) | | |) (10,859,443) |
| Activity of the speed that he show that the speed | .3 | 66.3 47 |) | 1,253,207) 1 .U. Bodener | |
| CASH AND CASH EQUIVALENTS, BEGINNING | | | | | |
| OF YEAR | 11.E | 3,068,966 | 5,523,809 | 4,302,175 | 15,161,618 |
| Committee of the State of the Committee | .11 | | | ad iaffin | |
| ADJUSTMENT OF LONG-TERM INVESTMENTS IN 2002 | | | | | ~ |
| | . (' | 78 A'S 36 - | 1,711,903 1312 S.B. 1000 | 0 - 148 V 120 L | |
| CASH AND CASH EQUIVALENTS, END OF YEAR | : (i- s | 1.901.161% | \$ 17.110.406 | \$ 3.068.966 | \$ \$94.302.175 |
| som processing the following the state and the | 1:11 | inatolis (13 | i In zii | | |
| | | | | क्षात ५८ कृत्व २५० | en affilit |
| Interest paid (excluding capitalized interest) | | | | | , , |
| Taran Income tax paid (1974), 1999 (1984), 1998 (2011), 1 | € 50 | 5,455,612 | 15 2 3,217,589 | 101 Aug. 27;178; | होत क् त्र,394,390 |
| NONCASH FINANCING ACTIVITIES | , (19 a), | d buileseig | ons a bar sing. | ការនេះ ដែលនេះជា | politiqu |
| Long-term debts due within one year | S | 10,050,000 | \$ 10,050,000 | \$ 12,185,045 | |
| The Corporation's shares acquired and held by | | te eminer ut a visual as | | | |
| subsidiaries accounted for as treasury stock | e de la companya de La companya de la co | 1,271,726 | 1,354,698 | 1,340,018 | JANGSTE REGIONALISE |
| - | たまじ . | IPLUM REG | ి. కథసు శ్రీలులోనికి | MUS WALAUI | . 13 1 1 1 1 E |
| | ing grant mate | and seeming on the | esa Latabari se | saurta i recolauser | en e el c |
| in the control of the producting a testant of the structure and before Charles and the | Carrier 1 | i de landi gerata e | -110 mattacket g = +1 | a companion de la companion de | 1. Main 1913 2 |

The accompanying summaries of significant accounting policies and basic assumptions on up total forecasted financial statements are an integral part of this statement.

| | 149 T | 32500 | 2:123946 | |
|--|----------------------|--------------------|---------------|----------|
| • • | | | 18050 8 | 4 |
| 0.6 0 0 75 % | \$:13.552,818 | 382.265,611.2 | 0611191171 / | |
| The of the president | 5 <u>48.51</u> 4.52 | 281.90 <u>.17</u> | | ţ |
| អ៊ីសន្ទ នេះមិន | 45,934,965 | d [A, 5AF] (ii) | . 13.80 .B | f |
| Leanonika griminiki | . 000.8, 6.8 | 119.414.4 | | |
| morphe from open-loan | | 1,40,808,38 | | |
| Man-corating income-nec | <u> </u> | 1431511 | s. 1 1 | |
| Income he but they as tax | <u> ((1.200,2)</u>) | The Market Barrier | At 1 15 15 12 | |
| The 20k1 between kinds part. Takes Betweenth between kinds for the true | • | ret sem ha | F. W. C. | |

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DO A SECTION LA DESCRIPTION OF

English Translation of Financial Statements Originally Issued in Chinese Annual Control of the Property of the Control of the

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CHINA STEEL CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIC ASSUMPTIONS ON UPDATED FORECASTED FINANCIAL STATEMENTS (Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Stated)

A. GENERAL

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ALTA

SOUTH

The Corporation publishes its financial forecasts, in compliance with regulations stipulated by the ROC Securities and Futures Commission, to provide investors with information on future operations.

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TREE FORCE LIGHT WILLIAM CO. C. S. MEGO AND

that he said at the property of this statement.

On December 10, 2002, the Corporation completed the preparation of its original forecasted financial statements for the year ending December 31, 2003 (hereinafter, "2003") based on the management's best assumption, estimates and evaluation of future operations. Due to changes in events and circumstances and significant basic assumptions, on October 30, 2003, the Corporation updated the 2003 forecasted financial statements based on the management's updated estimates and evaluation of future operations.

The updated basic assumptions stated herein are those that management considers are material to affect the original forecasted financial statements. There will usually be differences between the updated forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The historical data for the years ended December 31, 2002 and 2001 were excerpted from such years' audited financial statements and were presented for comparison and reference purposes.

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B. IMPACT ON THE OPERATION RESULTS FOR Short with the second to the seco

\$10,050,600 \$ 12,185,045 | 0 8,140,25

The comparison between updated and original forecast on gross profit, income from operations and income to the behalf before income tax for 2003 is summarized as follows: Improve the behalf by the comparison of the behalf by the behalf by

| | Fore | ecast | Increase | |
|--------------------------|----------------------|----------------|----------------|------------|
| | Updated | Original | Amount | <u>(%)</u> |
| Revenues | \$128,562,818 | \$ 113,365,588 | \$ 15,197,230 | 13 |
| Cost of revenues | <u>82,627,853</u> | 73,000,152 | 9,627,701 | 13 |
| Gross profit | 45,934,965 | 40,365,436 | 5,569,529 | 14 |
| Operating expenses | 5,148,000 | 4,832,049 | <u>315,951</u> | 7 |
| Income from operations | 40,786,965 | 35,533,387 | 5,253,578 | 15 |
| Non-operating income—net | 4,213,035 | 1,006,613 | 3,206,422 | 319 |
| Income before income tax | <u>\$ 45,000,000</u> | \$ 36,540,000 | \$ 8,460,000 | 23 |

The 2003 forecasted financial statements were updated mainly resulting from the change in the basic assumptions to the following items:

1. Gross profit increased by \$5,569,529

Revenues increased by \$15,197,230 (13%), mainly attributes to the increase in demand of steel market and product price. The Corporation anticipates that average unit selling price and sales quantities will increase by 8% and 5%, respectively.

C. SICKIECKYT MCCOUNTING POLICIES

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Cost of revenues increased by \$9,627,701 (13%), mainly attributes to the increase in sales quantities, unit price of raw materials and cost of shipping expenses, which is part of cost for raw materials. of Financial Accounting Standays No.16 (Pro- when a total or the week of a former of the con-

As analyzed and calculated, the gross profit ratio may remain the same, and accordingly the gross profit amount will increase at the extent of the increase in revenues.

2. Net non-operating income

assamiled to will

Net non-operating income increased by \$3,206,422 (319%), mainly attributes to the increase in investment income of \$2,786,305 under the equity method based on the investees and atended forecasted tig in a **profitifor-2003.** The training and the state of the state of

The increase in income before income tax, the numerator and denominator used to calculate earnings per share are as follows:

| N Comment | 2003 (Updated) | Numerator- Before Tax | -Amount After Tax | 2003 (Updated) | Denominator (Thousand Shares) |
|--------------------|---|-------------------------------|------------------------|---|--|
| afterague t | Net income | \$45,000,000. | \$ 36 268 913 | Weighted average of issued common | |
| | Less: Dividends to preferred | \$ 12,000,000 | , 4 5 0, 3 0 0 , 5 1 1 | shares | 2813 1 9,452,324 |
| | stockholders | 82,964 | 66,867 | Less: Weighted average of treasury | |
| | Basic EPS | | • | stocks | r to a State of the |
| | Net income belonging to | 44.017.026 | 26 202 244 | -Purchased by the Corporation | 6,285 |
| | common stockholders | 44,917,036 | 36,202,044 | Held by subsidiaries augustationessmento a mesenger, a unh | 93,253 |
| | shares | 2 7345 7445 3474 | Paris Charles (APER | esse american most que este com | 5 7 3 to 14 to 2 1 (2 5 3 5 2 5 7 6 0) |
| | 14% cumulative convertible | | | | |
| | preferred stocks | <u>82,964</u> | 66,867 | 72% Guithe Hill | ल्लाको नामकार्थः <mark>47,762</mark> |
| | | | | | 7 |
| | | | | inestments consist of boul fi | |
| 3.43 | Ner income belonging to | | | duling invers and see stated al- | |
| 5. 4M 1.3 | | | | an mi ot boganîs zi anise min | |
| $\pi(1) = \pi = M$ | dilutive shares | \$45,000,000 | \$ 36.268.911 | escent for the loss resulting f | ະ ວັນ ໄດ້ສະຕະ 9.400.548 |
| | had go Honor to represent. | ្ <u>មា ៤៩៩៦៩</u> ៩៥ ខ | र्राजिसम्म १६ वटा | i is moorety, the alignwance ac | កក់ស្យោះ <i>តាមណ</i> |
| 157 Older | १०४ - १५ व्याप्त १५ में १६ व्याप्त विश्व व | ា _ន សល់វាន និងរាប់ | der tils vidis | an Lasinatro d'In e mienza (c. | Denominator |
| The state of | | Numeratur- | | Laurie somelied in about brodite. | · (Thousand |
| | 2003 (Original) | Before Tax | After Tax | 2003 (Original) | Shares) |
| | Net income | \$ 36 540 000 | \$ 29.176.000 | Weighted average of issued common | · · · · · · · · · · · · · · · · · · · |
| 14.4 | | | | Weighted average of issued common | |
| , ' i i | 🕠 stockholders ५ कि. 🚧 होशाहर | 83,754 | <u>o b∋tr66,875</u> / | Less: Weighted average of treasury | gignitanciae. |
| | | e en for as a f | 29 ,1 199 Inc | l as in usument income ziota un | |
| | Net income belonging to | 06.486.046 | 20.100.105 | -Purchased by the Corporation | |
| | common stockholders | 36,456,246 | 29,109,125 | —Held by subsidiaries | 97,803 9,393,301 |
| | Effect of potential dilutive shares | | * | व्यापन । १५५८ विश्वपति सम्बद्ध । ५ स | |
| | 14% cumulative convertible | | | | |
| | preferred stocks | 83,754 | 66,875 | A COSTAGE CONTRACTOR AND ACCORD | , 76, 18 <u>47,768</u> |
| | | | | • | 1800 STA 1818 |
| | Diluted EPS | | | | · · · · · · |
| | Net income belonging to common stockholders | | | | |
| | and effect of potential | | | | |
| | dilutive shares | \$36,540,000 | \$ 29,176,000 | | 9.441.069 |
| | | | | | |

C. SIGNIFICANT ACCOUNTING POLICIES

The forecasted financial statements of the Corporation are prepared in conformity with the ROC Statements of Financial Accounting Standards No.16 "Preparation of Financial Forecasts" and reasonable basic their easumptions, terrors and reasons at most regardance for the control of the street case of the con-Commence of the second of the

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Brown produce in management and or reacting as globs or will be to the control of the commence of the first th

The significant accounting policies are summarized below.

Use of Estimates

The Standards requires management to make estimates and judgments that affect the recorded amounts of bused assets liabilities, revenues and expense of the Corporation. The Corporation continually evaluates these estimates, including those related to doubtful accounts, inventories, useful lives of properties, costs and loss from lawsuits and pension. The Corporation bases its estimates on historical experience and assumptions, which it believes to be reasonable under the circumstance. Actual results may differ from these estimates.

Assets and Liabilities Classified as Current and Non-current

business Current assets include cash and other assets that are reasonably expected to be realized in cash, or to be consumed within one year from the balance sheet date; otherwise are non-current assets. Current liabilities are liabilities that are reasonably expected to be liquidated within one year; otherwise are non-current liabilities. and the second section of the second Taur Bang om bodgern auf Berge Belle

Cash Equivalents and and ad best for --

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Japane Literatur Cash equivalents represent commercial papers within three months of maturity. (It is some the case)

. Short-term Investments

Short-term investments consist of bond funds and stocks listed on the Taiwan Stock Exchange without long-term holding intent and are stated at the lower of weighted average cost or market value. Loss on declined market value is charged to income or loss when it occurs. The aflowance for investment loss is created to account for the loss resulting from the excess of total costs over the market value. While the market price is recovery, the allowance account will be reversed to the extent of remaining balance. The word to cost of sale of investment is calculated under the weighted average method. Market value represents net assets value of bond funds at balance sheet date or monthly average price of listed stocks in the latest month of the period.

Tagaa -

Stock dividends received from investees are not recorded as investment income but as an increase in shares. Accordingly, the carry value per share is recalculated on the basis of totally owned shares. Cash dividends are recorded as investment income for current year, except for as a deduction to its original investment for 012.0 the initial investing year. It bears not to 502.70 in The Relegions in Fig. and adoes that

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided on the evaluation of the collectibility of individual receivables.

Inventories

Depreciation of an appety and equipment leased on the course of the exert is a second in the recalling from mathe to

Racome Pak

Inventories consist of raw materials, supplies, fuel, finished products, work in process, by-products and construction in progress. Inventories, except construction in progress, are stated at the lower of total moving weighted average cost or market value. Market value represents not realizable value for finished products, work in process, by-products and construction in progress, and replacement costs for raw materials, supplies and fuel. Construction projects over one year are recognized by the percentage-of-completion method, and construction in progress is valued by the costs incurred plus (less) the estimated gain (loss).

Long-term Investments in shares of stock and promise and on when we or the same besitton and I

Long-term stock investments of which the Corporation owns at least 20% of the outstanding voting shares or where the Corporation has significant influence on the investees are accounted for by the equity method. When the equity method is first applied or when a stock is acquired, the difference between the carrying value of an investment and the proportionate equity in the investee is amortized over rive years. If the financial statements of investee cannot be obtained in time, the Corporation will recognize investment income or losses on related investments in the semi-annual financial statements; otherwise, investment income or loss is recognized in the same period. Unrealized gains or losses from transactions with investees and from transactions between investees are eliminated. Cash dividends received from investees are recorded as a deduction in the investment carrying value. Translation adjustments unrealized loss on investees' long-term investments and unrecognized net loss on pension cost are recognized proportionately by the Corporation's shareholdings. When the investee issues additional shares but the Corporation does not acquire shares at a ratio equal to its initial equity, the Corporation's ownership percentage is changed. As a result, capital surplus is adjusted for the difference between the carrying values of the investments and the and Corporation's equity in the investees and assets of the carrying value is described an equity in the assets, the difference is predited to capital surpluse. If there wing value is more than equity in net assets, the difference is debited to capital surplus or unappropriated earnings while capital surplus is unavailable. If the market prices of investees decline significantly and not temporarily, the investment loss should be recognized as realized loss in the same year of the decline. Such investment will be reevaluated by the equity method if an investee's market value becomes higher than book value per shared. The difference between the new cost of the investment and proportionate equity in the investee is amortized over five value of adama receivables are not extrated by discounting for artificial action to eather years.

Other long-term investments in shares of stock are accounted for by the cost method. If certain evidence indicates that the market value of investments has significantly declined, not temporarily, the decline should be recognized as a realized investment loss. The previous carrying value less the amount of write-down becomes the new cost basis for such investments. Cash divide do realized from investee are recorded as a deduction in the investment carrying value for the initial year, otherwise, they are recorded as investment income. Upon sale of investment, the cost of investment sold is calculated under the weighted average method.

Properties and Leased Assets

Properties and leased assets (under other assets) are stated at cost or cost plus appreciation, less accumulated depreciation. Interest expense arising from the purchase or construction of properties is capitalized as cost. Major additions, renewals and betterments are capitalized while maintenance and repairs are expensed currently. The first of the first of the first barrier and barrier and appreciation of properties is capitalized as cost.

is throught no it will not be to early the list buttern total a containing it was enough

Depreciation of properties is provided by the straight-line method over service lives estimated as follows: land improvements, 10 to 40 years; buildings and improvements, 5 to 60 years; machinery and equipment, 3 to 25 years; transportation equipment, 3 to 25 years; miscellaneous equipment, 3 to 10 years. Depreciation on appreciation is provided by the straight-line method over the remaining service lives of the revalued assets. When a property reaches its original service life but is still in use, its residual value is written off over its reestimated service life.

Depreciation of machinery and equipment leased to the Corporation's investee (under other assets-leased assets) is calculated by the working hour method.

or tendence of carriers in each success in concess, to excellent or Upon sale or disposal of properties, the related cost, appreciation and accumulated depreciation are removed from the acquints. Gains or losses are credited or charged to current income. Before 2000, any such gains, net of applicable income tax, are transferred to capital surplus at year-end, and the accumulated amounts were retransferred to retained earnings under the resolution of 2002 stockholders' meeting.

touth a<u>nig</u> barmoyi arabo ada yil bowar er arangong wilh rithow and till. Hoth in lift in half-be-lost, sellu Unamortized Repair Expense

Unamortized repair expense refers to the major repair of blast furnaces and is amortized by the straight-line method over five years.

Manager and the second of the

- Wilnugh, with a

our standing you no share Configuration Treasury Stock | 1 1 1 200 - 1 2

The Corporation's outstanding shares acquired by itself are recorded as treasury stock which is stated at cost institute and is presented as a deduction of stockholder's equity.

trantagynic salvy in the Corporation's shares acquired and held by subsidiaries are accounted for as treasury 373 293 stock, adjusted from the long-term investments, at the carry value (recorded as short-term or long-term ne exolinvestments by subsidiaries) as of January 1,2002. And smore this is the

functionalization of the second control of the engine of the second of t

to the content of archeology. Vites he in expectisues additional sharemoitingopaRaunavaRoes of the content in a said equal to a fainful equal, the Corporation's cornership percentage is changed. At to customers: in the domestic order whom products are journal the Corporation's premises for delivery to customers; exports -്യാ are when products are loaded ontoavessels. ചകിച്ചുമാൽ for sales returns and discounts are estimated based on difference is debrew to depire accordes or imappropriated comings white capital surplus Atilidadotqule

the transfort primes of investment decline significantly and not temporarily, the investment loss should ed of Sales are measured by fair value which is a price (net of trade discounts and sales discounts) agreed by the percent Corporation and consumers to However, while the related receivable is due within one year, the difference between its present value and receivable amount is immaterial and transactions are frequent, the present value of related receivables are not calculated by discounting imputed interest rate.

title i iongiverm in lest menus in sharee of stock are altrochared for by the cost custod. If aoisne Rod near

nd dies wat the market volue of Levakingeris has sign, floordly declined, no hermoratific her de let stock Pension costs are recognized on the basis of actuarial calculations. The difference between the actuarial pension cost and its contribution to nension funds is recorded as accrued pension liability. Unamortized net transition assets and actuarial gains on loss are amortized over 11 years and the average remaining service an mail life of existing employees; respectivelys, manneavel to eroo and drawn seven at after may have men

Income Tax

Income tax is provided on inter-period allocation basis. Tax effects on deductible temporary differences are recognized as deferred income tax assets. Valuation allowance is provided for deferred tax assets with take a uncertain realizability. Tax effects of taxable temporary differences are recognized as deferred tax liabilities. e array Deferred tax asset or liability is classified as current or noncurrent depending on the classification of the related asset or liability for financial reporting. But if the deferred income tax asset or liability cannot be related to an asset or liability for financial reporting, the classification is based on the expected reversal or Therealization date of the temporary difference. He was a second of the temporary difference.

mpaka bishiring 1991 - Angala ang kalabasan kalabasan kang m The tax credits from expenditures for purchase of equipment, research and development, and employees' training costs are recognized as income tax credits when those credits are granted.

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Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Annual earnings should be appropriated under a resolution passed in the stockholders' meeting in the next year. Under tax regulations, unappropriated earnings are subject to 10% income taxes. Such taxes are recorded as expenses when the stockholders resolve to retain the earnings.

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Foreign-currency Transactions

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Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the year of settlement. On the balance sheet date, foreign-currency assets and liabilities are restated at the prevailing exchange rates and resulting adjustments are credited or charged to income. Long-term investments accounted for by the cost method are adjusted as translation adjustment under stockholder's equity if the translated New Taiwan dollar amount is lower than cost; if higher, no adjustment is made. Those investments accounted for by the equity method are translated based on investees' foreign-currency financial statements, and the change in investment from exchange rate is shown as cumulative translation adjustment under stockholders' equity.

N (55)

Derivative Financial Instruments 4 46

Forward exchange transactions entered into as hedge for foreign-currency net assets or net liabilities are recorded in New Taiwan dollars at the spot-rates on the date of each forward contract. The differences between spot rates and forward rates are amortized over the period of each forward contract and recognized as gains or losses. Year-end balances of forward exchange contracts are restated at the prevailing exchange rates and the resulting adjustments are credited or charged to income. Exchange gains or losses on forward exchange transactions entered into as hedge for foreign-currency commitments are deferred as adjustments to transaction prices. If the adjusted transaction prices are over their market values, the exchange loss with excess amount is recognized when it occurs.

The related receivable and payable balances for forward contracts are netted against each other and the resulting balance is presented as either current asset or liability assessment on live at a bond resulting balance.

8% or unipared to the original forecast.

1) Hot hilled built and sheet

tion of the grant of the I

Reclassifications

Certain accounts for the original year ending December 31, 2003 and the years ended December 31, 2002 and 2001 has been reclassified to conform to the classifications in 2003.

D. SUMMARY OF SIGNIFICANT BASIC ASSUMPTIONS

The updated forecasted financial statements were prepared based on the actual amount for the nine months ended September 30, 2003 and the forecasted amount for the three months from October to December 2003. The updated forecasted data are based on current market situation, operation plans and the management's best estimates and assessment of future operations.

1. Statement of income

The original and updated forecasted revenues and cost of revenues for 2003 are summarized by products as follows:

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| the second of the decided from the carrells carre tax provision to decide deaths tax provision. | Original |
|--|---|
| Price Amount | Quantity Unit (Tons) Price Amount |
| . 9 अग्रेड 94, वाक्रीय हो 54, है। उन्हें के क | |
| Hot rolled coil and sheet 4,501,296 \$ 10.816 \$ 48,685,009 Wire rod, plate and bar 2,967,318 11.582 34,368,775 | 4,425,000 \$10.000 \$ 44,251,413 22,635,800 \$11.167*** 22,433,213 |
| Cold rolled coil and sheet 2,641,440 15.213 40,183,852 | |
| | in the religious to the religious to |
| | n 17 approprietes man 151,267,050 |
| | 9,840,000 \$113,365,588 |
| i semseithe Cost of revenues in the second and the second | aldri i i jääpä sirabiodii omileeli. Liikanii liika sekerii eunarii innii. |
| 1 (1970) Hot rolled coil and sheet 1 (1997) 11\$ 6.567 \$ 29,360,176 | |
| Wire rod, plate and bar 25,096,122 Cold rolled coil and sheet 9.172 24,226,469 | |
| | та стана до 11 година 5.407 (12c до 1,358,144) |
| se, sairified; non-steel products, which is a sent of the oil 660,949 of the sair of the sair of 774.791 | $e_{\text{of obs}} = \frac{689,733}{1}$ |
| Total cost of revenues some state period of each of cost of revenues some social revenues of the prevenues of the prevenues of the prevenues of the prevenues of the prevenue of the prevenues of the prevenue | \$ 576, Viol. 6 no. 151, 437, 5 |
| agos munts are credit in or charged to income, oils inforgators or lossed to differed into as hedge for the ignecurency contraints are inferred. | non as mistralization by No. 📆 |
| es. If the adjusted in associon prices are over $\overset{\text{leavineyea}}{\text{sevine}} \text{seven}_{\mathbf{a}}$ when a cones. the | เล้าสาดกลางของ อาการสอดส่วนกา ของ beach. โทพ shot ของอย่าว |

Based on the current available sales orders, the market price for the fourth quarter of 2003 as well as the historical records in previous years, the Corporation anticipates that the selling prices of main steel products will be increased by 4%-18% and the average unit selfing price will increase by about 8%, as compared to the original forecast.

> Updated forecasted revenues will increase by \$15,197,230 (13%), as compared to the original forecast, mainly attributes to the following: If 3mbn 1884 and 200 set at the state of the following of a modern of a filesal on not be stated and 1942 are

> > h mada of skathegalit basic assertetions

1) Hot rolled coil and sheet

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The prices of hot rolled coil and sheet products will increase resulting from the prosperity of comparation anticipates the unit selling price and sales quantities will increase by 8% and 2%, respectively, and resulting in the increase in revenues by \$4,433,596 ଏ ଲେ ସେ ହେଉ ଅଟେ ଓ ଅଟେ ଓ ଅଟେ । ଏହି ଅଟେ ଅଟେ ଅଟେ ଅଟେ । ଏହି ଜେ ମହର ଓଡ଼ି ଓ ଅ**୪୬୯୮**। ଏହି ଅଟେ ଅଟେ ଅଟେ ଅଟେ । White K. Charles to a super the K.

2) Wire rod, plate and bar

The Corporation anticipates that the sales quantities and unit selling price of these products will increase by 13% and 4%, respectively, resulting in the increase in revenues by \$4,935,562 (17%).

3) Cold rolled coil and sheet

The Corporation anticipates the sales quantities and unit selling price will increase by 4% and 10%, respectively, resulting in the increase in revenues by \$5,154,033 (15%).

4) Other steel products

the The unit selling price of other steel products will increase by 18% and sales quantities will be a decrease by 8%, respectively, resulting in the increase in revenues by \$145,046 (8%).

1) Salative and weeks

2) Visitable courses

PRINCE OF BOOK

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b. Cost of revenues

Updated forecasted cost of revenues will increase by \$9,627,701 (13%), as compared to the original transport of forecast, mainly, attributes to the followings: 100 per 100 century states as a first of the followings and the content of the followings and the content of the followings and the followings are the follow

Consolidades et al. (1988) de la Consolidades en estados en estados en estados en estados en entre en entre en en entre entre

of the control of the Raw materials () of the control on the super light of the results of the control of the all

The updated estimate price of raw materials are based on the existing purchase contracts and the future market price estimate. Because of increases in raw material prices, international shipping expenses and sales quantities, the Corporation anticipates an increase in unit cost of \$567 (17%) per ton of raw material, and resulting in an increase in the cost of raw material of \$7,237,463 (22%), as compared to original forecast.

2) Direct labor

This consists mainly of employees' salaries and wages, bonus, overtime pay, insurance and pension. The Corporation anticipates an increase of \$180,238 (4%), mainly attributes to the analysis of the increase in incentive bonus which is calculated based on earnings (due to increase in updated work in a suit aforecasted earnings) can alread that saids must another another arrangements.

at service and planufacturing expenses, 000, 750, 82 about service of male; family no all

a times for the parameter beautiful and the sea select opened on the parameter of the parameter of the manufacturing departments estimated 2003 manufacturing expenses based on production budgets, historical data, price level, personnel plantment individual expenses. The Updated forecasted manufacturing expenses for 2003 will increase by \$724,372 (2%), as analyzed as follows:

Gpdmed forecasted investment moome consist of agew. hastesiasias (a.)

\$180,000, and are expected to decrease by \$364,000 (14 -) barase by a control of carecillar

The undated threatstated investment income under the equint method to beauth a thorouse were

This consists mainly of salaries and wages, bonus, overtime pay and pension. Due to the particle of the mainly of salaries and wages, bonus, overtime pay and pension. Due to the particle of the mainly of salaries and wages, bonus, overtime pay and pension. Due to the particle of the mainly of salaries and wages are anticipated to increase by \$411,655 (5%).

b) Variable overhead

This consists mainly of the costs of maintenance, fuel, factory supplies and utilities. The Corporation anticipates a increase of \$254,258 (2%) based on the actual expenses for the second months.

forecasion coording results as follower

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War to the second second

c) Other expenses

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Other expenses for 2003 are estimated based on the actual expenses for the nine months ended September 30, 2003. The Corporation expects no significant change in such expenses.

c. Operating expenses

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Updated forecasted operating expenses for 2003 will increase by \$315,951 (7%), detailed as follows:

1) Salaries and wages

whether it was This consists mainly of salaries and wages, bonus, overtime pay, insurance and pension. Due 2000 0 to the increase in updated operating earnings, the bonus will increase accordingly. Corporation anticipates an increase of \$152,074 (6%) in salaries and wages.

taller for model to

2) Variable expenses

and this host beloegen as (as^2M) . We find a session in various or a>0 for the a we be the aThis consists mainly of the costs of commissions, professional services, shipping and maintenance. Commissions are anticipated to increase by \$189,039 (43%) due to the increase in sales, while other variable expenses are not expected to change significantly as compared to the original forecast.

The applications are the contraction of the contraction of the contraction of the contraction and the , o tago anti, oli 58 giran 3 il regna a la regna o fere con late. Il la la la la comita desa

his latest an over the Other expenses for 2003 are estimated based on the actual expenses for the nine months ended September 30, 2003. The Corporation expects no significant change in such expenses.

d. Non-operating income and expenses

and named a set 1) or Interest income and expenses: whole set of the first and a set of the set of and the complete section terms of the Control of the Control of the American Section (1984).

a standard of property and property of the control short-term bank loans, long-term debts and bonds payable, less capitalized interest of about \$180,000, and are expected to decrease by \$304,090 (18%) because the Corporation cancelled its original plan to issue bonds of \$5,000,000. Updated forecasted interest income is calculated based on the average balances of time deposits and commercial papers, and is minutes, no leasexpected to decrease by \$74,298 (38%) because of the decline in interest rates and the aforesaid feducity is studiof detail mucullevel, persocansusti bnod od for noitalloansases. The Update

Greek at a conferenting expanses for 2003 of socretes by \$33,0372 (28th or analyzed

2) Investment income

Updated forecasted investment income consists of the investment income under the equity method of \$5,318,305 and gain on disposal of investment of \$328,691. The updated 22.22 The conformation of the control of the control of the country method will increase by \$2,786,305 (110%) as the control of the compared with the orginal forecast due to better operation results of its investees, including YLEC and CSEL, which is resulting from the prosperity of steel and ocean shipment market. The updated forecasted investment income under the equity method is based on the investees' War able over teach forecasted operating results as follows:

| | uoste of maintanance, fenti fortegy sijopiliës a kypece ofi \$13+,25% (2°4) to kid on tild on tiet. | | गर % of | Investment Income (Loss) |
|---------------|--|-------------|-----------------|--------------------------|
| | China Steel Express Corporation (CSEC) | \$1,662,900 | 100 | \$1,662,401 |
| | Gains Investment Corporation | 114,752 | 100 | 114,752 |
| tare, of ph | s.C. S. Aluminium Corporation (1.005a) | 630,000 | ::::: 98 | 615,636 |
| that it amend | China Steel Global Trading Corporation | 280,000 | ∍⊱≏ 100 | 278,656 |
| , | China Prosperity Development Corporation | 3,5429:11 | 100 | 3,542 |
| • | China Steel Security Corporation | 18,298 | 100 | 18,298 |
| | Hi-mag Magnetic Corporation | 14,194 | z9 5 0 0 | : - |
| | Info-Champ Systems Corporation | 103,398 | 99 | 102,591 |
| | China Hi-ment Corporation | 241,498 | 20 | 49,000 |
| | China Ecotek Corporation | 106,221 | 36 | 38,335 |
| | China Steel Structure Corporation | 44,818 | 18 | 8,031 |
| | • | • | | (Continued) |

| as the core religion. 2011 The Core of th | Investees' Net Income (Loss) | % of Ownership | Investment Income (Loss) |
|--|------------------------------|--|--------------------------|
| China Steel Chemical Corporation | \$ 807,122 | 30 Hus | \$ 248,029 |
| Yieh Loong Enterprises Corporation (YLEC) | 1,500,000 | áud daur 2á (57) sota bamaro | 797,297 |
| Goang Yaw Investment Corporation and | Z152444 | solv domaico | , |
| other two companies | 524,803 | Lifect Properties | 524,803 |
| Taisil Electronic Materials Corporation | 381,340 | 1. 35. 121 | 133,469 |
| Kuei Yi Industrial Corporation | 1,136,457 | are bron 35 :q | 397,760 |
| Kaohsiung Rapid Transit Corporation | (71,640) | | (22,423) |
| China Steel Asia Pacific Holdings Ptd. Ltd. | 386,162 | 1005 mil | 386,162 |
| China Steel Machinery Corporation | (43,102) 17,502 | 100 | (43,102) |
| Taiwan Rolling Stock Co., Ltd. | 17,502 | 27 | 4,684 |
| China Steel Management Consulting Corporation | 1,025 | 3.8 | 384 |
| Investment income-net | | 100.3 | <u>\$5,318,305</u> |

The forecasted investment income of YLEC represents mainly amortization of the difference between the carrying value of the investments and the Corporation's equity in the YLEC's net of massets, for the same

e. Income tax

to sattle social 473 11 1 المحاصلين

Updated forecasted 2003 income tax is calculated as follows:

Net income a donging to common stockholders

b. Short-torn investment

| Tax on unappropriated earnings Investment tax credit Income tax payable | 262,4 FPS outcolations. Thus have especially form. Thus have especially form. See to NTS1.82, despecially for the year ended December St. 2001. 1287. | 55 49) <u>75</u>) 31 97 <u>84</u>) |
|---|---|---|
| Tax on unappropriated earnings Investment tax credit | 128,7 | |

Income tax payable is net of prepaid income tax. short-term investments.

f. Earnings per share

| , | | erator-Amount Tax After Ta | _ | a demonstration 1991 | - (1 | nominator Thousand Shares) |
|--|----------|----------------------------|-----------|--|------|----------------------------------|
| 2002 | 1.6 200 | | | a fin have a | | |
| Net income Less: Dividends to preferred | \$20,695 | 5.814 \$ 16.839.0 | 0 Weighte | ed average of issued | | |
| Less: Dividends to preferred | - | 李张 43 Ja | , çomu | non shares 2 1 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | \$ | 9,267,994 |
| stockholders | | 2,190 66,8 | | Retroactive adjustments for | | |
| | | | | alization of retained earnings | ; | 184,325 |
| | | | | Weighted average of | | |
| | | | | ary stocks | | |
| | | | —Pu | rchased by the Corporation | | 150,000 |
| | | | —He | ld by subsidiaries | _ | 98,262 |
| | | | | | | |

(Continued)

| threstored lucerae <u>Q ose)</u> | รองพระกร 1 ภ.สิธี สถานาร์ (พ.ศ. 2002) ค.ศ. 25 กรร (ค.ศ.) - ค.ศ. 1 | Numerator-Amount Before Tax After Tax 2002 | Denominator (Thousand Shares) |
|---|---|---|-------------------------------------|
| 035. 3 035. 3 | Basic EPS 122 102 2 Net income belonging to common stockholders | \$20,613,624 \$16,772,206. 901 Perform \$1,000 \$100. | 9,204,057 |
| 514,8 N 152,465 97,767 22,425 586,161 43,102 4,684 4,684 | Effect of potential dilutive shares 14% cumulative convertible preferred stocks Diluted EPS Net income belonging to common stockholders and effect of potential dilutive shares | 82,190 66,874 orp 1, 3 or 1,4 or 1,5 or 1,4 or 1,5 | <u>47,762</u> \$ 9,251,819 |
| <u>1813.73</u> | 2001 | 2001 and the digent | |
| me difference 2 NUSC is a | Net income Less: Dividends to last extraction of preferred stocks | \$ 8,406,799 \$ 7,459,750 Weighted average of issued common shares Add: Retroactive adjustments for capitalization of retained earnings Less: Weighted average of treasury stocks -Purchased by the Corporation | 9,061,168 391,149 29,925 |
| | Net income belonging to common stockholders | 14 <u>\$2.8730.5.434.014\$6.7,392;875</u> 16.09 | 9,422,392 |

100.032.012 The number of shares are retroactively adjusted for the effect of retained earnings capitalization on EPS calculation. Thus basic EPS before tax and after tax are decreased from NT\$2.29 to NT\$2.24 and NT\$1.86 to NT\$1.82, respectively, for the year ended December 31, 2002, Basic EPS before tax and after tax are decreased from NT\$0.90 to NT\$0.88 and NT\$0.80 to NT\$0.78, respectively, for the year ended December 31, 2001. Fax on anaphrophianod eginnings

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Balance sheet

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362,453

947,114.

5.7.9

128,7%.

9.662.72

a. Cash and cash equivalents

As of December 31, 2003, the forecasted balance of cash and cash equivalents will decrease by \$15,209,245 (89%) due to cancelling bond-issuance plan of \$5,000,000 and the purchase of short-term investments.

b. Short-term investmens

Due to increase in cash inflow, the forecasted balance of short-term investments will increase by \$14,359,482 (92%) as of December 31, 2003.

estaman, rall Long-term investments trace and C.

As stated under item D.1.d.2), the forecasted investment income under the equity method will be \$5,318,305, and the Corporation will implement the additional investments of \$5,510,313. The movement of these investment is expected as follows:

| Balance, beginning of year | ! 9 | 35,532,286 |
|--|-----|------------|
| The there is a Additional investments and the post noncross is setting as included and | | 5,510,313 |
| Cash dividends | (| 1,638,771) |
| Investment income under the equity method was confident than \$1.23% to substant | | 5,318,305 |
| Disposal of investments | (| 5,721) |
| Reversal of investees' unrealized loss on long-term investments between the second control of the second contr | | 29,896 |
| Cumulative translation adjustments of long-term investments | (| 127,975) |
| Reversal of investees' unrecognized net loss on pension cost in turned to are | | 49 |
| Adjustments of equity in investees due to change in percentage of ownership | (| 50,239) |
| Cash dividends received by subsidiaries | | 128,858 |
| Cash dividends received by subsidiaries Disposal of the Corporation's shares held by subsidiaries | - | 125,463 |
| on the probability of the following section is a set of the contribution of the contri | 3 | <u> </u> |

d. Bonds payable

CONTRACTOR OF AL R. BEDATENE I The Corporation cancelled the 2003 bond - issuance plan of \$5,000,000, while other repayment plans remain the same as original forecast.

e. Appropriation of retained earnings

THE RESERVED THE STATE OF THE S 7311112 In June 2003, the Corporation's stockholders' meeting approved the 2002 earnings appropriation, which was proposed by the Board of Directors in March 2003. Cash dividends to both preferred and common stockholders are \$14 per share, while stock dividends to both preserved and common stockholders are \$0.15 per share. The appropriation of retained earnings is as follows:

| CHAP Sook II | Legal reserve Cash dividends | 2.44.) 2.444.) | MAI | 終 る数 表示機 | RON | \$ 1,683,908 |
|-----------------|---------------------------------|-------------------|-----------|--------------------|--|--------------------------------|
| 190 14523 | Common stock Preferred stock | kona ija so k | | गुरुक्त स्थाउ | ร ซ agnohi | 91015d on 12,975,148 66,867 |
| | Stock dividends | | | | | |
| | Common stock | k ass | BATH ME | PEGETAR FI | ANALYSIS OF THE | 390,194 390,194 |
| | Preferred stock | k manera kan | CYT BIB | 2003 (5)(7)(3) | HON ETERMETTS YE | 7,164 |
| | Compensation to | directors and | superviso | rs | The state of the s | 44,589 |
| • | Bonus to employ | | • | | in Fireign exclangerare | 445,890 |

intimizer expected to be affected by the change in exchange rate

Private Private and the second of the private of the private of the second seco

52 1.8

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f. Treasury stock

Treasury stocks for the year ending December 31, 2003 are as follows: mod prince the property of

| | 3 7 | | | | oper ye. To a <u>End</u> | |
|-----|---|----------------------|----------|----------|-----------------------------|-------------|
| - 7 | Purpose | Beginning of Year | Increase | Decrease | Thousand Shares | Amount |
| 1. | Shares acquired for transfer to employees | 150,000 | - | 149,964 | 36 | \$ 516 |
| 2. | Shares acquired and held by subsidiaries | 96,810 | 1,383 | 4,940 | 93,253 | 1,271,726 |
| | | 246,810 | 1,383 | 154,904 | 93,289 | \$1,272,242 |

1. Transfer to employees

11.01+2

311.3

1.658.71

- 3.VC 10.701

2.03

128.558

1.25,46

The Corporation acquired its common stock for transfer to employees. The 149,964 thousand shares has been transferred to employees, in January 2003, resulting in a decrease in capital surplus of \$82,614 and retained earnings of \$14,863.

15 A A COMBET RESIDENCE

Combined withhorth

Shares acquired and held by subsidiaries as of particles of the life of the later and all the later as

As of January 1, 2003, the Corporation's shares acquired and held by subsidiaries were accounted for as treasury stocks (fecorded as long-term or short-term investments by investees) amounting to 96,810 thousand shares. Shares sold by subsidiaries iff 2003 amounted to 4,940 thousand shares (proceeds of \$125,463, which resulted in a gain on disposal of treasury stock of \$57,124 including in capital surplus), while no further sales are expected in the fourth quarter. The market value for shares held by subsidiaries are expected to be \$2,495,441 as of December 31, 2003. Ida reaction!

band be a second organization.

E. UPDATED FORECASTED QUARTERLY TEACH OPERATING RESULTS FOR 2003 DOGGEST

| | | 205 757 O C 2010 - 1 2 1 | .5 1 | damaran ci | • |
|--|---------------------|--------------------------|----------------------|------------------------|----------------------|
| | A | Actual | | | Forecasted |
| , | 1st | 2nd | 3rd | 4th 💯 | • |
| | Quarter | Quarter | Quarter | <u>Quarter</u> | Total |
| g approximation (1901) valorings approximation | | | | , or all co | |
| county-Revenues; abnotivit das 0 1800s do | \$30,426,744 | /\$ 32,114,662, | \$ 33,686,668 | \$ 32,334,744 | \$ 128,562,818 |
| Sermo Cost of revenues that at shubblish if a | 19,850,106 | <u>. 20,461,3260</u> | 21.842.080 | 20,474,407 | <u>82,627,853</u> |
| f retained carnings is as follows. | \$10,576,638 | \$ 11,653,402 | \$ 11,844,588 | \$ 11,860,337 | <u>\$ 45,934,965</u> |
| Gross profit ratios | <u>35%</u> | <u>36%</u> | <u>35%</u> | 37% | <u>36%</u> |
| Income before income tax | <u>\$10,765,016</u> | <u>\$ 11,507,707</u> | <u>\$ 11,652,835</u> | | \$ 45,000,000 |
| • | | | | عروديج إدارا الأثراثكي | |

F. SENSITIVE ANALYSIS OF THE UPDATED FORECASTED FINANCIAL STATEMENTS FOR 2003 (OCTOBER TO DECEMBER) 1983 1985 (1985)

Conjensación de directors and expervisors

a. Changes in foreign exchange rate

Part Street Experience

2 Updated forecasted exchange rate of New Taiwan Dollars against U.S. Dollars: US\$1=NT\$34

Amounts expected to be affected by the change in exchange rate:

Revenues (export sales) of an ara 2002. 112 todoreced gentre and estimated adverse ratios. 214,607,412 Costs of imported raw materials and supplies 275,036,130) Other operating expenses A AUGUST 919,516) . 4 (<u>US\$</u> ا چين

> भागी के पर काम श्रम है। उन odk state in the project of advances. Were the second of

> > 9 1 11 114

Capers of stock

Bornes to entrioneess

138.36 V 48.651

(S)

E

Effect of fluctuations on exchange rate:

| Ter Meller de Meller De Lieuwe August des | New Talwall | | | Increase (Decrease) in Income BeforeIncome Tax |
|--|---|------------------------------|--------------------------------------|--|
| | Charles Constitution | ed hand | leator. | income rax |
| 1.44 1.44 | 1% | | 618 11.20 | \$ 20,858 (***20,858) sabraya hatan |
| ∴ _b . | Updated changes in unit | selling price | 34.60.03,40 | महिलाद् इशामी |
| 7.1 | | | | or our againmag. |
| 31. 31. | Estimated average unit pr | ice for 2003 (October to D | December): \$12.534 pe | भारतिकारिक सालगा अस्तिकारी - सर्वे १ द्वारी सांस्कृतिकारी |
| | Estimated sales quantities | s for 2003 (October to Dec | cember): 2,510,500 tor | |
| 7. | Effect of changes in unit | selling price: | 443 343 | हार जास्त्रकार्य |
| N. | Increase (Decrease) | 2 1 22 8 42 | * | Net income |
| | in Unit Selling Price | | | Increase (Decrease) <u>in Revenues</u> |
| | 1% | | Element de de Material de 181 | 281 3 3 14,666 |
| Ċ | Updated changes in sales Estimated average gross p Effect of changes in sales | profit for 2003 (October to | nin Anglist – 🗞 Arrinis | As ague no margo, ha t |
| | Increase (Decrease) | | | Increase (Decrease) |
| isa wa si Nama Nama | in Sales Quantities | nabine samorni terratizavini | ini egamoni erii bini keli | in Gross Profits |
| | | | orecast had updated for | t lenigino sricti. |
| đ. | Updated changes in cost of | of raw materials: | | talons mecad is |
| r) | Estimated cost of raw ma | terials for 2003 (October t | | |
| | Effect of changes in cost | of raw materials: | ्राव्यक्षित्र सं , प्रथमित्र होत | 190 Trisbus |
| | Increase (Decrease) in Cost of Raw Materials | เพียงแบลที่ไปปี กลา สา วัตส | tor relay (* 1820) York god 979 (| Increase (Decrease) in Cost of Revenues |
| | | | | |

G. ACHIEVEMENT OF 2002 FORECAST:

18

100

2.5

332

1

200

| | | | | Ach | ievement |
|--|-------------------|---------------------|-------------------|--|----------|
| Factorial (Death) | | | • | areastair a (d.) | On |
| in lacency is | | • | | | updated |
| ABT 3800001 | | | Forecast | | orecast |
| 1 Committee Comm | Actual | <u>Original</u> | <u>Updated</u> | Reupdated | (%) |
| 873,000 8 | | | 000011150 | 000 | 100 |
| Revenues | \$99,939,846 | \$81,075,902 | \$89,914,152 | \$97,840,171 | 102 |
| Cost of revenues | <u>75,111,810</u> | 72,265,305 | <u>71,701,937</u> | <u>_74,775,365</u> | 100 |
| Gross profit | 24,828,036 | 8,810,597 | 18,212,215 | 23,064,806 | 108 |
| Operating expense | 4,454,420 | 4,300,211 | 4,578,364 | 4,578,364 | 97 |
| Income from operations | 20,373,616 | 4,510,386 | 13,633,851 | 18,486,442 | 110 |
| Non-operating income | 3,488,827 | 3,134,335 | 2,416,720 | 3,034,698 | 115 |
| Non-operating expenses in | 3,166,629 | 3,144,721 | 3,050,571 | 3,021,140 | 105 |
| Income before income tax | 20,695,814 | 4,500,000 | 13,000,000 | 18,500,000 | 112 |
| Income tax | <u>3,856,734</u> | 330,295 | 1,890,526 | <u>2,482,760</u> . | 155 |
| Net income | \$16,839,080 | <u>\$ 4,169,705</u> | \$11,109,474 | \$16,017,240 | 105 |
| Basic EPS | | | | Na N | |
| Before tax | NT\$ 2.29 | NT\$ 0.49 | NT\$ 1.43 | NT\$ 2.04 | 112 |
| مَوْمَ الْمِ After tax | NT\$ 1.86 | NT\$ 0.45 | NT\$ 1.22 | NT\$:01 1.77 | 105 |

Effect of counge in sales our rities:

Cipduted changes in cost of rew materials:

Librita, Colonia

The 2002 original forecasted financial statements was published on December 14, 2001. Due to the changes in assumptions and circumstances, the 2002 forecasted financial statements were updated and reupdated on June 20 and August 28, 2002, respectively.

The reason and impact for twice updates:

a. Reason:

The changes in the basic assumptions for the revenues, cost of revenues and non-operating income are mainly resulting from the rising in the demand of international steel market, the increase in product prices and quantities and the increase in investment income under equity method. Consequently, the updated and reupdated gross profit and income before income tax increased substantially, as compared with the original forecast and updated forecast, respectively.

b. Impact amount:

E00 49 20 21

1954 (5012) 1954 (501-19

- 1) Updated forecast: The gross profit and income before income tax increased by 9,401,618 (107%) and 8,500,000 (189%), respectively.
- Reupdated forecast: The gross profit and income before income tax increased by \$4,852,591 (27%) and 5,500,000 (42%), respectively.

- 21 -

- :

H. ACHIEVEMENT OF 2003 UPDATED FORECAST AS OF SEPTEMBER 30, 2003:

| | Nine Months Ended | 2003 | |
|--------------------------|----------------------|-----------------|-----------------|
| | September 30, 2003 | Updated | Achievement (%) |
| • | | <u>Forecast</u> | [/0] |
| Revenues | \$ 96,228,074 | \$ 128,562,818 | 75 |
| Cost of revenues | 62,153,446 | 82,627,853 | 75 |
| Gross profit | 34,074,628 | 45,934,965 | . 74 |
| Operating expense | 3,865,700 | 5,148,000 | 75 |
| Income from operations | 30,208,928 | 40,786,965 | 74 |
| Non-operating income | 5,241,872 | 6,197,235 | 85 |
| Non-operating expenses | 1,525,242 | 1,984,200 | 77 |
| Income before income tax | 33,925,558 | 45,000,000 | . 75 |
| Tax | <u>6,276,306</u> | 8,731,089 | 72 |
| Net income | <u>\$ 27,649,252</u> | \$ 36,268,911 | 76 |
| Basic EPS | | | |
| Before Tax | NT\$ 3.62 | NT\$ 4.80 | 75 |
| After Tax | NT\$ 2.95 | NT\$ 3.87 | 76 |